

Message Text

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PAGE 01 ATHENS 01421 211344Z

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SUBJECT: PHALERON DELTA PROJECT ABANDONED

REF: ATHENS 6374, 12/2/71; ATHENS 2685, 5/15/72 AND 3906, 7/12/72

1. A MEETING WAS HELD FEB 18 UNDER THE CHAIRMANSHIP OF PRIME MINISTER C. CARAMANLIS TO REVIEW GREEK TOURIST ORGANIZATION (EOT) PROGRAMS AND POLICIES, EXAMINE TOURIST PROBLEMS AND ASSESS TOURIST PROSPECTS FOR 1975. THE MEETING WAS ATTENDED BY MINISTER TO PRIME MINISTER G. RALLIS, EOT PRESIDENT G. DASKALAKIS AND SECRETARY GENERAL T. TZANNETAKIS.
2. AFTER MEETING, EOT'S SECRETARY INFORMED PRESS REPS THAT DECISION WAS REACHED TO DISCONTINUE THE PHALERON DELTA TOURIST DEVELOPMENT PROJECT. HE ADDED, HOWEVER, THAT ROAD CONSTRUCTION, PORT WORKS AND OTHER INFRASTRUCTURE AS WELL AS LANDSCAPING OF DELTA SITE WILL BE CONTINUED. THE SECRETARY FINALLY SAID THAT A NEW STUDY WILL BE CONDUCTED FOR THE TOURIST DEVELOPMENT OF THE ENTIRE DELTA AREA.
3. THE DELTA PROJECT, AS INITIALLY PLANNED, INVOLVED CONSTRUCTION OF A COMPLEX COMPRISING FOUR LUXURY HOTELS WITH TOTAL INITIAL CAPACITY OF 3,000 BEDS AND EVENTUAL EXPANSION TO 4,500 BEDS, BATHING BEACH, UNDERGROUND GARAGE, ATHLETIC FACILITIES, SHOPPING CENTER AND CONVENTION HALLS.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 ATHENS 01421 211344Z

4. CANCELLATION OF PROJECT IS BOUND TO HAVE SERIOUS EFFECT ON CONCESSIONAIRES OF FOUR HOTELS, NAMELY, HELLINIKI TECHNIKI S.A., AKTI ATHINON S.A., A. ALBERTIS-TH. DEMOPOULOS, AND TOURIST COMPLEXES OF GREECE S.A. - GREGORIADES BROS. EACH OF ABOVE FOUR FIRMS HAS ALREADY SPENT BETWEEN \$200,000 AND \$600,000 ON DESIGN AND OTHER PRELIMINARY WORK. FURTHERMORE, HELLINIKI TECHNIKI S.A., AND AKTI ATHINON S.A. HAVE SIGNED MANAGEMENT CONTRACTS WITH U.S. INTERCONTINENTAL AND U.S. LOEW'S HOTEL CHAINS, RESPECTIVELY. EX-IM BANK HAS ALSO AUTHORIZED A DOLS 2,639,700 CREDIT TO HELLINIKI TECHNIKI S.A. TO FINANCE HOTEL CONSTRUCTION COSTS

5. REACTION OF FOREGOING CONCESSIONAIRES, AS CONVEYED TO EMBASSY REP, TO GOG'S DECISION TO DISCONTINUE PROJECT RANGED FROM CONCERN TO HOPEFUL ANTICIPATION THAT SUCH DECISION WILL BE RECONSIDERED UNDER MORE OPPORTUNE CIRCUMSTANCES. CONCESSIONAIRES ARE CONCERNED OVER A) THE IMPLICATIONS OF GOG'S DECISION ON THEIR CONTRACTUAL OBLIGATIONS TOWARDS FOREIGN HOTEL CHAINS, B) THE UNCERTAINTY PREVAILING WITH REGARD TO RECEIVING COMPENSATION FROM THE GOG FOR EXPENDITURE ALREADY INCURRED, AND C) THE SERVICE AND ULTIMATE USE OF LOANS CONTRACTED FOR FINANCING HOTEL CONSTRUCTION.

6. MR. ALBERTIS OF A. ALBERTIS-TH. DEMOPOULOS WAS OPTIMISTIC AND SAID THAT THE GOG DECISION SHOULD BE ATTRIBUTED TO THE TENSE PSYCHOLOGICAL EFFECT RESULTING FROM ECONOMIC AND OTHER DIFFICULTIES GREECE IS GOING THROUGH. HE ALSO STATED THAT THE DELTA PROJECT WAS INITIALLY RECOMMENDED BY THE PRIME MINISTER HIMSELF, PRIOR TO THE JUNTA PERIOD. MR. ALBERTIS STRESSED THE NEED FOR THE CONSTRUCTION OF A NUMBER OF LARGE LUXURY HOTELS AND CONVENTION HALLS IN THE CAPITAL AREA AND INVITED ATTENTION TO THE FACT THAT, WITH THE EXCEPTION OF THE DELTA AREA, THERE ARE NO OTHER SUITABLE SITES (BOTH FROM THE STANDPOINT OF LOCATION AND SPACE) FOR SUCH PROJECTS. THIS, COUPLED WITH THE FACT THAT A TOTAL OF ABOUT DOLS 20 MILLION WILL BE SPENT ON INFRASTRUCTURE AT THE PHALERON DELTA STRENGTHENS MR. ALBERTIS' BELIEF THAT THE PHALERON DELTA HOTEL PROJECTS WILL MATERIALIZE IN THE NOT TOO DISTANT FUTURE.

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